



Amy G. Rabinowitz
Counsel

October 2, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 99-60

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company and Nantucket Electric Company (collectively "Company"), I am writing to provide revised proposed rates for default service for the period November 1, 2002 through April 30, 2003. These rates have been revised from those filed on September 24, 2002 in order to include estimated costs associated with the Company's compliance with the Massachusetts Renewable Portfolio Standards ("RPS") that become effective on January 1, 2003.

The Company's September 24, 2002 filing included the results of its most recent solicitation for default service and proposed retail rates for the default service pricing options resulting from the solicitation for the period November 1, 2002 through April 30, 2003. Pursuant to D.T.E. 99-60-C, the Department had five business days to review the solicitation and proposed rates, and if the Department took no action, the default service rates would be allowed to go into effect. D.T.E. 99-60-C, p. 9. Because the Department took no action on the Company's filing, the proposed rates may go into effect November 1, 2002.

Nevertheless, the Company proposes to revise the default service rates for the period November 1, 2002 through April 30, 2002 in order to include the cost of RPS compliance. The Company suggests that including estimated costs associated with the RPS in the default service rates will provide a better indication to default service customers of the market cost of power, and will enable them to make more informed decisions regarding other power supply options that may be open to them.

The procedure for compliance with the RPS is set forth in the Division of Energy Resources' regulations, 220 CMR 14.00. For 2003, all retail electricity suppliers are required to show that at least one percent of their resources are provided from new renewable energy resources. They may satisfy this requirement by providing attribute

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certificates from the New England Generation Information System, contracting for the output of new renewable energy resources, or making an Alternative Compliance Payment to the Massachusetts Technology Park Corporation. In 2003, the Alternative Compliance Payment rate is \$50 per MWh. Thus, \$50 per MWh is effectively the ceiling price for compliance.

I am resubmitting Attachments 1 through 3 of the September 24, 2002 filing. Attachments 2 and 3 have been revised to include the estimated cost of RPS compliance for the default service load. Attachment 2, page 5 shows the Company's estimate of the cost of RPS compliance for default service for the first four months of 2003. Pages 2 through 4 show the addition of this cost to the previously proposed default service prices for the time period. The addition of the cost of RPS compliance adds \$0.00050 per kWh to the January through April 2003 variable rate for commercial and industrial customers and \$0.00036 per kWh to the January through April 2003 variable rate for residential customers. This translates into an additional \$0.00034 to the rate for the fixed price option for commercial and industrial customers and an additional \$0.00025 to the rate for the fixed price option for residential customers, both over the entire six-month period.

As shown on Attachment 2, page 5, the Company has not yet contracted for all of its RPS requirements. The Company's estimate includes Alternative Compliance Payments for \$50 per MWh. To the extent the Company is able to comply with the RPS requirements less expensively, the Company will refund customers the difference through its default service adjustment factor. The Company will be proposing an amendment to its default service adjustment factor to provide for such reconciliation.

In D.T.E. 99-60-C, the Department established thirty days as the amount of advance notice required for posting prices electronically, "unless events warrant a different approach." D.T.E. 99-60-C, p. 7. The Department's acceptance of today's proposal will necessitate a shorter notice period. As stated above, the Company suggests that including estimated costs associated with the RPS in the default service rates will provide a better indication to default service customers of the market cost of power, and will enable them to make more informed decisions regarding other power supply options that may be open to them. Therefore, the Company respectfully requests that the Department allow a shortened notice period for the upcoming default service period. In addition, the Company respectfully requests that the Department take action on this filing, in order to avoid any confusion about which default service rates are to be in effect.

Thank you very much for your time and attention to this filing.

Very truly yours,

Amy G. Rabinowitz

cc: Service List